

Crypto continent — an African snapshot

Alex Lielacher, 21 Nov 2017 -

Africa, Cryptocurrency Adoption, Investment

When the bitcoin ecosystem began to take shape, one of its first “killer apps” was supposed to be its potential for providing banking services and low-cost remittances to regions of Africa poorly served by the traditional banking sector.

Due to bitcoin’s relatively high transaction fees, however, and the lack of exchange liquidity to convert bitcoin into local fiat currency, personal remittances using bitcoin have proven to be more expensive than existing services like WorldRemit — and using bitcoin for personal payments makes little sense for most Africans.

So what is happening in Africa’s crypto space? In terms of bitcoin adoption, the landscape is by no means



by startup activities, community meetups, and trading volumes — are South Africa, Nigeria, Kenya, and Ghana. Perhaps unsurprisingly, these four countries also have some of the largest economies and highest internet usage levels in Africa.

Internet penetration plays a major role in bitcoin uptake and has been one of the main challenges for wider adoption across the continent. Despite the common wisdom a decade ago that African nations would be able to leapfrog the requirement for traditional telephony infrastructure to deliver internet services, today's reality has fallen short. While mobile phone penetration is high, mobile data remains expensive and hotspotting with a cellphone to receive internet on a laptop is cost prohibitive for most — even in countries like Kenya and South Africa, which have comparatively advanced broadband infrastructure.

Africa's leading Bitcoin startups

Probably the most prominent bitcoin startup is the Nairobi-based remittance company **BitPesa** — which for the reasons mentioned above, has recently refocused its business model away from private remittances to B2B cross-border payments. The Kenyan startup has expanded into several African markets since its launch in 2013 and has set up a thriving remittance corridor between **Africa and China** using bitcoin.

Another innovative startup is South Africa's **the Sun Exchange** — an online solar marketplace that allows investors to purchase solar panels for local businesses and communities in Africa using bitcoin. In return for providing solar cells to schools, hospitals, and factories, investors receive rental income.

There are also several local bitcoin exchanges including **ICE3X**, which operates in South Africa and Nigeria and allows users to buy bitcoin using local currency, **Golix**, which enables Zimbabweans to purchase bitcoin using

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US dollars and **NairaEx** — one of Nigeria's most popular exchanges.

Additionally, there are many startups leveraging blockchain technology to innovate. For example, Ghanaian startup **Bitland**, which aims to enable citizens to record land deeds onto the blockchain to prevent unrightful loss of land ownership and South African **Custos Media Technologies**, which is fighting digital content piracy using the blockchain.

Scams are driving adoption

Unfortunately, Ponzi schemes are alive and well in several African countries and have even become a **driver for bitcoin adoption** on the continent. Bitcoin-focused social media groups and Telegram channels are often littered with referral links to MMM, OneCoin, and other dubious 'investment schemes' that promote bitcoin as a payment method.

Despite official warnings by several central banks regarding the activities of **OneCoin** and **MMM Global**, for example, these schemes are seeing increasing investment from cryptocurrency newcomers attracted by high bitcoin prices and hype. To combat the rise in bitcoin scams and the negative attention they bring to the cryptocurrency space, groups such as the **CDIN (Cryptography Development Initiative of Nigeria)** have been established to educate individuals about cryptocurrency overall, and to combat cryptocurrency-related criminal activity.

Bitcoin regulations divergent across Africa

Regulation plays a major role in bitcoin adoption and the health of its economy, but like the rest of the world, there remains divergent views across Africa regarding the appropriate legislative approach. At the positive end, the South African Reserve Bank (SARB) has so far been





open towards cryptocurrency use and is a big proponent of blockchain technology.

This has created a very supportive environment for fintech startups — including those using bitcoin — which has seen South Africa lead the charge in bitcoin adoption on the continent. At the other end of the spectrum, The Central Bank of Kenya issued a warning against the use of digital currencies in 2015 and according to local sources, the CBK also instructed Kenyan banks not to provide bank accounts to bitcoin startups.

This resulted in BitPesa having its local bank accounts shut down and has prevented local bitcoin startups from acquiring a business bank account. Interestingly, though, despite the Kenyan central bank's attempt to hamper bitcoin adoption, Kenya actually has one of Africa's most vibrant bitcoin economies.

In January 2017, the Nigerian Central Bank (CBN) **banned Nigerian banks** from conducting banking transactions using bitcoin and other digital currencies. However, this was followed up by the CBN stating that "[the] central bank cannot control or regulate bitcoin. [The] central bank cannot control or regulate blockchain. Just the same way no one is going to control or regulate the Internet. We don't own it." In other words, individuals in Nigeria can legally use bitcoin.

The Namibian central bank, on the other hand, has announced an outright ban of digital currencies such as bitcoin while Algeria **announced** that it intends to ban bitcoin in 2018. The Egyptian central bank has **rejected the use of bitcoin** locally and has no plans of legalizing it as a payment method. Swaziland's central bank, conversely, is actively **researching** cryptocurrencies to discover whether they could help the country's economy.

In Zimbabwe, Ghana, and the majority of remaining African countries, regulators have not yet issued any



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which means individuals can buy, sell and transact in bitcoin as they please.

As increasing bitcoin trading volumes in **South Africa**, **Kenya**, and **Nigeria** indicate, bitcoin is on the rise in Africa. With the medium age across the continent currently at 19.5 years-old (compared to 37.8 years in the U.S and 46.1 in Japan) there is certainly considerable upside in terms of a young population open to embracing new financial solutions. Growth for cryptocurrency remains dependent on low-cost internet access, however, which given Africa's infrastructure challenges is likely to remain an obstacle to more widespread adoption for the foreseeable future.



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